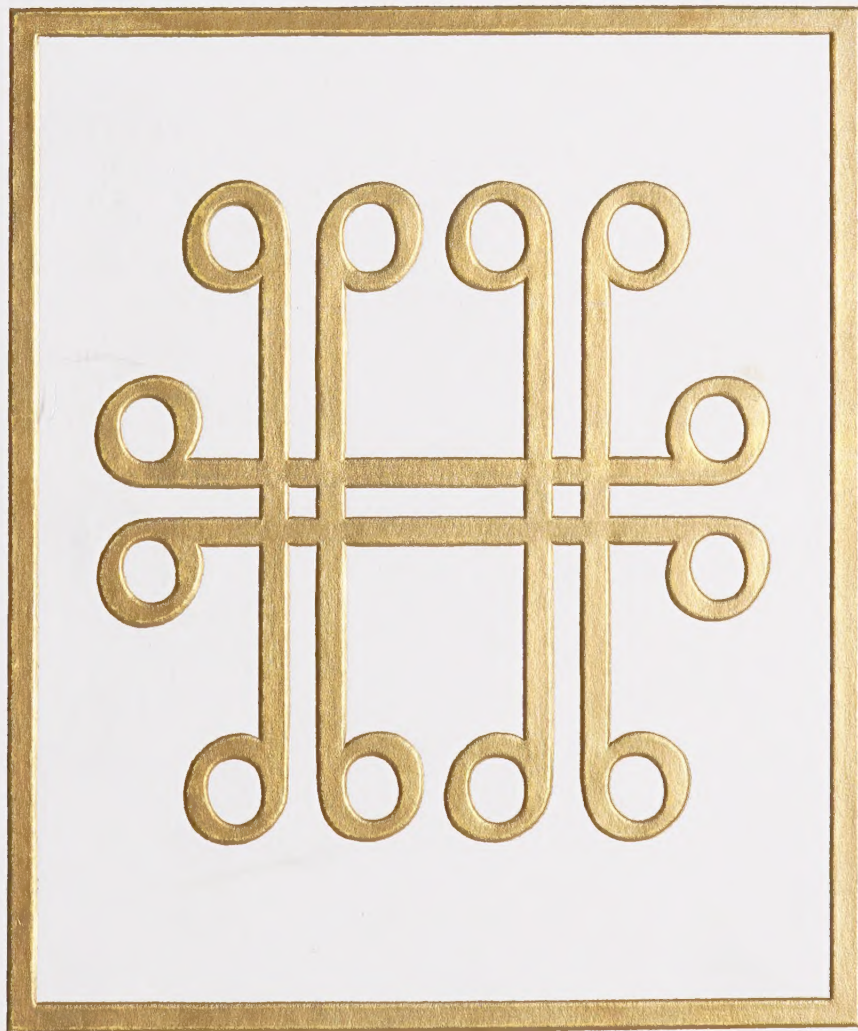


AR01

HARDING CARPETS LIMITED



Forty-sixth Annual Report October 31, 1973

The Annual Meeting of
shareholders will be held
on February 12, 1974,
at the Royal York Hotel,
Toronto, Ontario,
beginning at 2:00 p.m.

Financial Highlights

	Year Ended October 31		Change from 1972
	1973	1972	
Sales	\$47,683,300	\$40,076,467	+19%
Income before taxes	6,312,881	4,706,003	+34%
Income taxes	2,774,000	2,195,000	+26%
Net income	3,538,881	2,511,003	+41%
Earnings:			
Per Share70	.50	+40%
As a percentage of sales	7.4%	6.3%	+18%
As a percentage of capital employed.... ^[1]	15.2%	13.4%	+13%
As a percentage of shareholders' equity.... ^[2]	24.5%	20.7%	+18%
Dividends paid to shareholders:			
Per share	\$.19	\$.16	+19%
As a percentage of earnings	27.1%	31.7%	-15%
Capital expenditures	\$ 4,533,761	\$ 1,923,165	+136%
Depreciation	1,311,202	1,253,161	+ 5%
Working capital	11,875,298	12,086,286	- 2%
Ratio of current assets to current liabilities	1.9 to 1	2.5 to 1	
Long term debt	\$ 7,645,000	\$ 8,075,000	- 5%
Shares outstanding:			
Class A and Class B	3,452,650	3,432,150	+ 1%
Class C and Class D	1,609,272	1,606,272	—
Number of shareholders			
3,206	3,024	+ 6%	
Salaries, wages and employee benefits	\$11,495,166	\$ 9,102,162	+26%
Number of employees (average)	1,495	1,295	+15%

^[1] Capital employed represents total assets less current liabilities at beginning of year.

^[2] Shareholders' equity at beginning of year.

Report to Shareholders

The year 1973 was another one of exceptionally high demand for all home furnishings. Carpets were no exception. Following a record year in 1972, the intensity of demand for carpets placed a severe strain on the production capacity of the industry. In addition, fibre producers on whom the industry is almost completely dependent for basic raw materials were faced with insufficient capacity to meet the demand. All this is indicative of the high level of economic activity that is expected to produce an increase of $13\frac{1}{2}$ per cent in the gross national product in 1973—of which seven per cent would represent real growth.

Consumer spending on durables in 1973 is expected to rise by 20 per cent, which is an unusually high rate of growth. In 1974, expectations are for a much lower growth in consumer spending on durables but some of the slack will be offset by increased capital spending. Nevertheless, real growth in gross national product based on current predictions is expected to be around $5\frac{1}{2}$ per cent. While this may be lower than in 1973, it still represents a strong economy but a somewhat differ-

ent mix between consumer and capital spending. There is no doubt inflation will continue to be a major problem in 1974.

Despite the unemployment statistics published by Statistics Canada, the shortage of labour at our plants in Ontario has become critical. The lack of available help, unskilled as well as skilled, aggravated by high turnover, increases our costs of operation and will affect our ability to increase production. Similar reports of inability to obtain sufficient help have been heard from employers in other parts of Canada, so this condition is not limited to the Province of Ontario nor to Harding Carpets.

It is hard to reconcile the labour shortage with the current unemployment statistics. There may be basic inconsistencies in the statistical reporting, or other undefined reasons contributing to this contradictory situation. It is difficult, however, not to attribute a great deal of it to the provisions of our Unemployment Insurance Act which subsidizes unwarranted unemployment by allowing benefits to persons who do not want



This new line at Brantford has increased finishing capacity by more than two and a half times. The unit is 300 feet long. It is the single largest item of equipment in the Company's 1973-74 expansion program.

to work, and therefore goes well beyond insurance for those who have lost employment against their own will. Whatever the real reason may be, the fact remains that industry must still have access to sufficient labour to meet its objectives for growth.

You will note from the report which follows that Harding Carpets adopted an aggressive policy for expansion during 1973 and that this will be continued through 1974. Undoubtedly, operations of the Company will be affected by general economic conditions that prevail in the year ahead. There are definite indications that 1974 will be less buoyant than last year, but after nearly three years of great expansion in the overall economy, it could well be that a pause at this time is not only necessary but desirable. We are still optimistic that the Company will continue to grow and that 1974 should prove to be a satisfactory year.

Income

The net income for the year of \$3,538,881 is up 41 per cent over last year. Earnings per share of 70¢ compare with 50¢ last year after giving effect to the subdivision of the shares on a three for one basis.

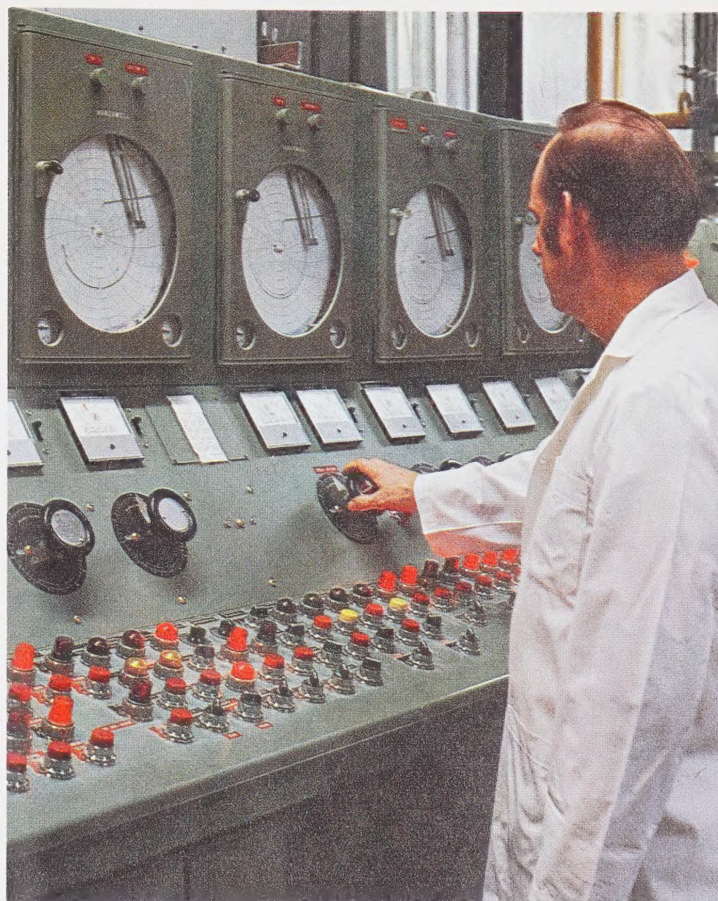
The improvement in the rate of earnings was due to the higher volume of sales and to the fact that this volume was obtained without a corresponding increase in the selling, administrative and distribution expenses. There were only minor price adjustments during the year. The lower income tax applicable to manufacturing and processing industries enabled us to absorb increased costs without price increases.

The accelerated depreciation provision under the Federal Income Tax Act on the acquisition of machinery and equipment resulted in an increase of \$585,000 in deferred income taxes. This, along with the lower income tax mentioned above, assisted the financing of the large capital expenditures being undertaken by the Company.

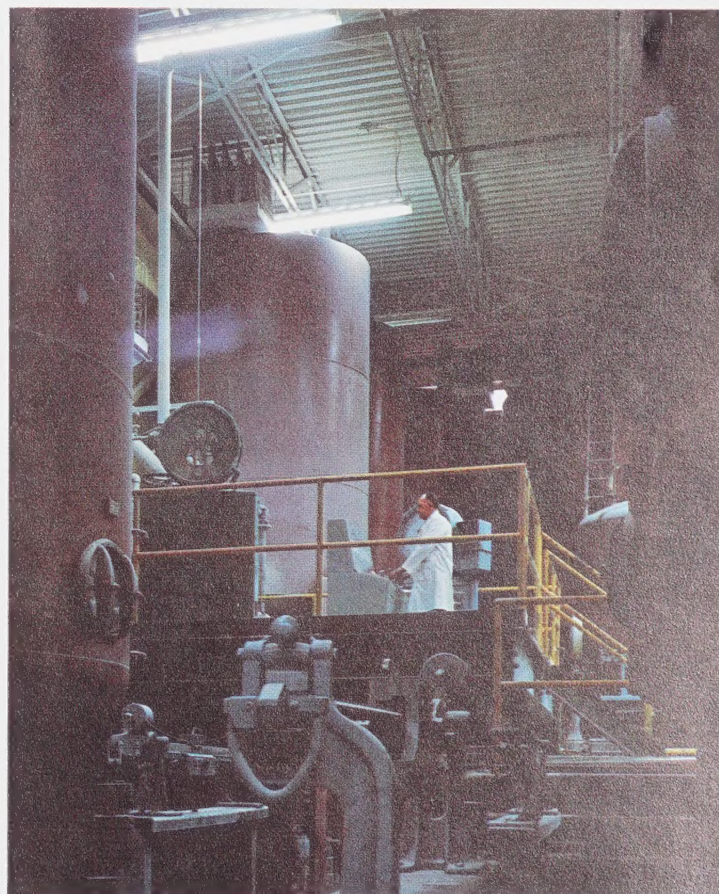
Dividends

Dividends of 19¢ per share were paid during the year compared to 16¢ in 1972 after giving effect to the subdivision of the shares on a three for one basis in 1973.

Dividends on Class A and Class C (formerly Common) shares are the normal taxable dividends in the hands of the shareholder. Tax deferred dividends on Class B and D shares are currently being paid out of tax paid undistributed surplus and are not taxable in the hands of the



From this console technicians monitor all operations of the new finishing line.



Flow of raw materials and compounds to the new line is carefully controlled. Waste is solidified for disposal.

shareholder at time of receipt. It should be noted, however, that a 15 per cent tax has already been paid on these dividends by the Company and that the net dividends received by Class B and D shareholders are applied to reduce the cost of the shares for capital gains tax purposes.

A dividend of 5¢ or its equivalent per share has been declared payable January 3, 1974.

Sales

Sales of \$47,683,300 increased by 19 per cent over last year. Carpet yardage, which is a more accurate measurement of Company growth, increased by 31 per cent in 1973. This is a much higher growth rate than in 1972 and is well in excess of carpet industry growth in 1973.

The difference between the rate of growth in sales dollars compared to yardage is due to a number of factors. A large proportion of the Company's sales is made through its own distribution centres and these sales dollars include the distribution margin. During 1973, we introduced the Seneca line to the Canadian market and also achieved a substantial growth in export volume. Both of these types of sales are made through independent distribution and, as a result, contribute a lower sales dollar per yard to our overall volume. Accessories handled by our distribution centres did not enjoy as high an increase as carpets. Accessories such as underpadding manufactured by others are non carpet items and contribute to dollar volume but are not included in yardage figures.

Export sales had an excellent growth and exceeded five per cent of our total yardage. This progress is extremely encouraging in view of the effort made by the Company in recent years to develop export trade. We look for a further increase in these sales next year. More attention will be directed to long term prospects which we feel are favourable.

In the second half of the year, Seneca Carpet Mills was launched as a separate sales division of the Company. The Seneca line is distributed through independent distribution as a separate and distinct brand of carpets. Distributors have been appointed in Eastern Canada and distributors in other parts of Canada will be appointed as production capacity permits.

The growth in sales due to consumer spending was in keeping with the long term growth rate but below the

level of the previous year. On the other hand, contract sales enjoyed a higher rate of growth than in 1972.

With the unusually high rate of growth over the past two years, the industry has experienced shortages in man-made fibres. In 1973, these shortages limited the industry's ability to meet all the demand for carpets. The Arab curtailment of oil production in recent weeks added another dimension to the problems confronting fibre producers. The fibre situation, however, is by no means critical and by working together the Company and fibre producers have been able to achieve a remarkable growth in volume. Additional fibre production is coming on stream in 1974 in Canada and, while the petrochemical industry has problems of its own, we do not expect any serious limitation of our capacity.

The Carpet Market

The table on Page 7 shows that the Canadian market for carpets, not including automotive carpet, has grown in the five years ended 1972 from 25,355,000 square yards to 58,765,000 square yards or 131 per cent.

The increase for calendar year 1972 was 22 per cent and it is expected the 1973 increase will be approximately 19 per cent. In our opinion, the lower rate of growth in 1973 reflects the industry's inability to meet the unprecedented demand due to shortage of equipment and materials.

The outlook for new household formations will provide impetus for the continued growth of the carpet market in Canada. Central Mortgage and Housing Corporation estimates that 934,000 new households will be formed between 1971-76 compared to 870,000 in the previous five-year period. Of greater significance is the number of new households being formed in the 15-34 age group, which accounts for the greatest share of carpet purchases, and these are expected to reach 559,000 in the 1971-76 period compared to 375,000 in 1966-71.

Housing starts are expected to be down slightly in 1974; however, completions are expected to be about the same as in 1973. On this basis, housing should have no depressing effect on our industry in 1974. It should be noted that the flourishing mobile home industry has become another important market for carpeting.

While domestic carpet sold through retail outlets still accounts for approximately 70 per cent of the total market, the contract market is expanding at a higher



This new pattern is called Casino Royale. It is a cut-and-loop shag of 100% Nylon pile, sculptured and multi-toned.

*Interloc is the apt
name of this 100% Nylon loop pile print
in the Designer's Gallery collection.
It has been well received
by commercial users.*

rate through the wide use of carpet in commercial, institutional and recreational areas.

Carpet imports in 1972-73 have grown at a rate in excess of 40 per cent to the point where imports now account for approximately 15 per cent of the broadloom market, compared to 11 per cent a few years ago.

Carpet prices from a base of 1961 = 100 have in recent years been below the 100 level. In September 1973, the price index for carpets reached 101 at a time when the total Canadian industry price index was 147 and the index for household furniture was 146. Carpets have had an outstanding record in opposing the inflationary forces which have affected almost all other commodities. Because of price increases in raw materials, wages and almost all other elements of cost there will be price increases of moderate proportion in the year ahead. There is no doubt, however, that carpets will continue to reflect excellent value in terms of price and performance.

Financial Resources

The Statement of Source and Use of Funds on Page 12 shows that working capital decreased by \$210,988 to \$11,875,298. The relatively large amount of capital expenditures was the major contributing factor to the decrease in working capital.

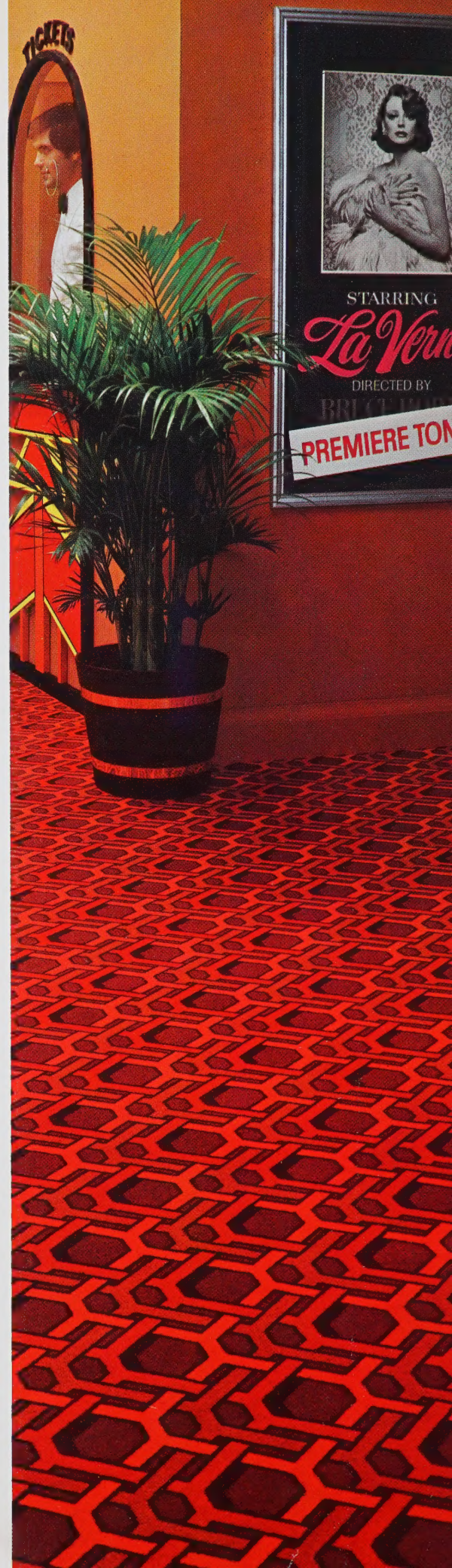
Inventories of \$13,175,486 while showing an increase of \$2,569,944 reflect an improvement in the rate of turnover. The level of inventories is reasonable in relation to the volume of sales.

Capital Expenditures

Capital expenditures for the year of \$4,533,761 reached an all time high as the result of efforts to expedite expansion to meet demand.

The Collingwood plant was enlarged by 71,000 sq. ft. to accommodate major expansion of spinning capacity. There was an addition of 40,000 sq. ft. to the Brantford plant and the installation of a high-speed finishing line. Expenditures at the Guelph plant provided for the modernization of spinning equipment.

In 1974, an addition to the Toronto Distribution Centre of 34,000 sq. ft. will bring it up to 154,000 sq. ft. in total. Additional tufting machines will be added to both Brantford and Collingwood plants in 1974 along with the further expansion in yarn capacity at Collingwood. The addition of a TAK dyeing unit and a piece goods dryer will enlarge the printing and piece dyeing capacity at Brantford.



Personnel

There were 1,622 employees with the Company at year end compared to 1,353 a year ago.

Two union contracts were negotiated in 1973. In the coming year there are five contracts to be re-negotiated covering employees at the Collingwood plant and the majority of employees at the Brantford plant.

It is with deep regret and a sense of great loss that we record the untimely death in November 1973 of Mr. Francois E. Cleyn, Director of the Company. From 1964, Mr. Cleyn made a valued contribution to the development and progress of the Company. Mr. Cleyn gave outstanding service over many years to the textile industry, which held him in high esteem. For distinguished service to his country in many ways he was awarded the Medal of Service of the Order of Canada.

The past year has been one of the most successful in the history of the Company and a year of substantial growth, notwithstanding the problems created by the severe shortages of labour and materials. To all members of the staff, we express appreciation for the willing-

ness with which they met the extra demands. To our customers, we are grateful for their understanding and their continued support.

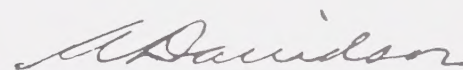
Annual Meeting

The Annual Meeting of the shareholders will be held in Toronto on February 12, 1974. We welcome this opportunity to meet shareholders and discuss further the affairs of the Company.

Respectfully submitted,



Chairman of the Board



December 19, 1973

President

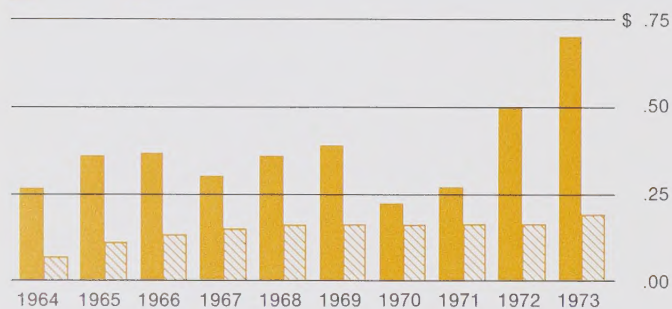
Canadian Market ^{*(estimated)}

	Total Sq. Yds. (000's)	% of total supplied by Canadian Mills	Consumption per Household (square yards)			Canadian Per Capita Personal Disposable Income
			Canada	U.K.	U.S.A.	
1963	11,999	87.4	2.47	4.37	4.08	\$1,608
1964	15,806	87.2	3.14	5.04	4.73	1,679
1965	18,872	87.0	3.74	5.17	5.41	1,822
1966	23,525	88.4	4.54	5.23	5.94	1,973
1967	25,355	88.7	4.76	5.60	6.37	2,097
1968	31,193	87.4	5.67	6.00	7.61	2,236
1969	37,906	88.1	6.65	5.90	8.59	2,370
1970	38,747	89.3	6.57	6.11	8.42	2,523
1971	48,025	89.7	7.95	6.43	8.87	2,754
1972	58,765	88.0	9.38	7.20	10.30	3,044
% Increase 1963-1972	389.7%	0.7%	279.8%	64.8%	152.5%	89.3%

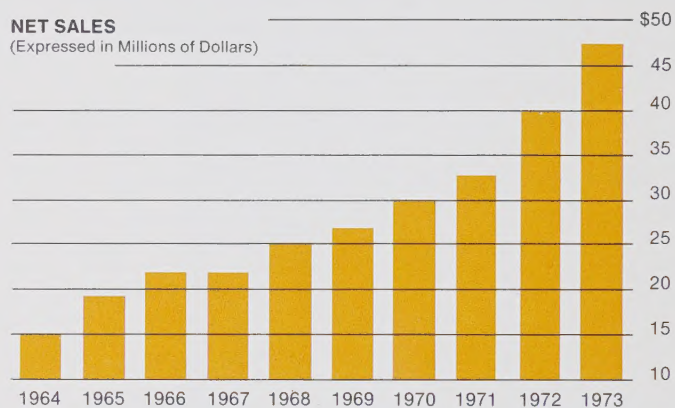
*Exports & Automotive Carpet have been excluded.
Adjustments from previous reports have been made in accordance with latest available information.

**EARNINGS AND
DIVIDENDS PER SHARE**
(adjusted to reflect subdivision
of shares February 13, 1973)

■ Earnings ■ Dividends

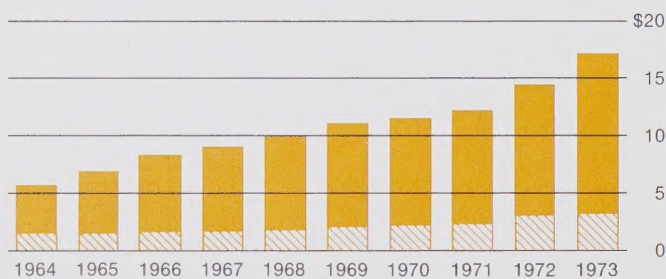


NET SALES
(Expressed in Millions of Dollars)

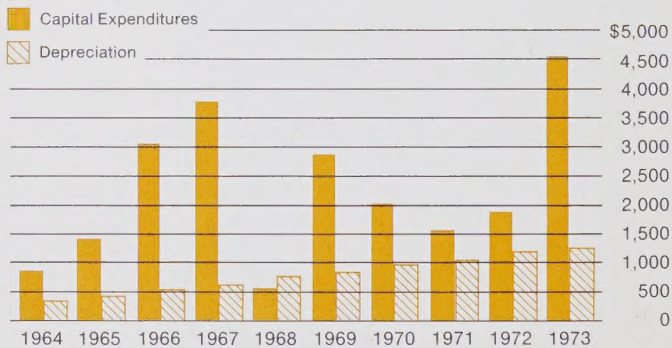


SHAREHOLDERS' EQUITY
(Expressed in Millions of Dollars)

■ Retained Earnings
■ Capital Stock



**CAPITAL EXPENDITURES
AND DEPRECIATION**
(000's omitted)



*These charts reflect the Company's
progress over the 10-year period
ending October 31, 1973.*

Consolidated Statement of Income and Retained Earnings

	Year Ended October 31	
	<u>1973</u>	<u>1972</u>
Sales	\$47,683,300	\$40,076,467
Cost of Sales	<u>33,751,199</u>	<u>28,457,372</u>
Gross Profit From Operations	13,932,101	11,619,095
Deduct (Add) the following items:		
Selling, administrative and distribution expense	6,799,906	6,214,988
Debenture interest	587,624	556,330
Other interest	288,063	204,774
Government Grant—Collingwood	<u>(56,373)</u>	<u>(63,000)</u>
	<u>7,619,220</u>	<u>6,913,092</u>
Income Before Taxes	6,312,881	4,706,003
Taxes on Income	<u>2,774,000</u>	<u>2,195,000</u>
Net Income for the Year	3,538,881	2,511,003
 Add: Retained Earnings at beginning of year	 <u>11,538,010</u>	 <u>9,822,949</u>
	15,076,891	12,333,952
 Less: Dividends paid (1973—19¢, 1972—16¢)	 <u>960,050</u>	 <u>795,942</u>
Retained Earnings at end of year	<u><u>\$14,116,841</u></u>	<u><u>\$11,538,010</u></u>
 Earnings per share	 <u><u>\$.70</u></u>	 <u><u>\$.50</u></u>

Harding Carpets Limited

Assets

	October 31	
	<u>1973</u>	<u>1972</u>
CURRENT		
Accounts receivable, less allowance for doubtful accounts.....	\$12,179,129	\$ 9,540,446
Inventories (Note 2).....	13,175,486	10,605,542
Prepaid expenses.....	<u>317,675</u>	<u>215,226</u>
TOTAL CURRENT ASSETS.....	25,672,290	20,361,214
FIXED (Note 3)		
Land, buildings and equipment at cost.....	26,747,168	22,675,897
Less: Accumulated depreciation.....	<u>10,524,414</u>	<u>9,448,628</u>
	16,222,754	13,227,269

Approved on Behalf of the Board,


DIRECTOR


DIRECTOR

<u>\$41,895,044</u>	<u>\$33,588,483</u>
---------------------	---------------------

Auditors' Report

TO THE SHAREHOLDERS OF HARDING CARPETS LIMITED:

We have examined the consolidated balance sheet of Harding Carpets Limited and its subsidiaries as at October 31, 1973 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet

Liabilities

	October 31	
	<u>1973</u>	<u>1972</u>
CURRENT		
Bank advances	\$ 6,495,679	\$ 2,175,434
Accounts payable and accrued liabilities	6,318,461	4,120,756
Income taxes payable	552,852	1,673,738
Instalments on long term debt due within one year	430,000	305,000
TOTAL CURRENT LIABILITIES	13,796,992	8,274,928
LONG TERM DEBT (Note 4)	7,645,000	8,075,000
DEFERRED INCOME TAXES	3,340,000	2,755,000
DEFERRED INCOME	—	56,373
SHAREHOLDERS' EQUITY		
Capital Stock (Notes 5 and 6)		
Authorized—		
1,000 common shares without par value		
6,000,000 Class A and Class B inter-convertible non-voting		
participating shares with par value 16 $\frac{2}{3}$ ¢		
2,999,000 Class C and Class D inter-convertible voting		
participating shares without par value		
Issued and outstanding—		
Class A and Class B shares (at October 31, 1973		
3,452,650 Class A and Nil Class B)		
Class C and Class D shares (at October 31, 1973		
1,609,272 Class C and Nil Class D)	2,996,211	2,889,172
Retained Earnings	14,116,841	11,538,010
	<u>17,113,052</u>	<u>14,427,182</u>
	<u>\$41,895,044</u>	<u>\$33,588,483</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1973, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

Toronto, December 14, 1973

Consolidated Statement of Source and Use of Funds

	Year Ended October 31	
	<u>1973</u>	<u>1972</u>
Current Assets	\$25,672,290	\$20,361,214
Current Liabilities	<u>13,796,992</u>	<u>8,274,928</u>
Working Capital	<u>\$11,875,298</u>	<u>\$12,086,286</u>
Source of Funds		
From Operations:		
Net income for the year	\$ 3,538,881	\$ 2,511,003
Charges or (credits) not involving current funds:		
Depreciation	1,311,202	1,253,161
Deferred income taxes	585,000	(155,000)
Government Grant—Collingwood	<u>(56,373)</u>	<u>(63,000)</u>
Total from Operations	5,378,710	3,546,164
Issue of capital stock (Note 6)	107,039	595,921
Issue of series "C" debentures	—	3,200,000
Reduction in fixed assets including disposals	<u>227,074</u>	<u>68,373</u>
	<u>5,712,823</u>	<u>7,410,458</u>
Use of Funds		
Expenditures on fixed assets	4,533,761	1,923,165
Dividends paid	960,050	795,942
Reduction in long term debt	<u>430,000</u>	<u>915,921</u>
	<u>5,923,811</u>	<u>3,635,028</u>
Working Capital Increase (Decrease)	<u>\$ (210,988)</u>	<u>\$ 3,775,430</u>

Notes to Financial Statements

Year Ended October 31, 1973

Note 1—Consolidation

The consolidated financial statements include the accounts of Harding Carpets Limited and its subsidiaries, all of which are wholly owned.

Note 2—Inventories

Valuation at October 31, 1973 at the lower of cost and market is consistent with previous years. Market prices represent current replacement cost.

	1973	1972
Raw materials	\$ 1,321,180	\$ 1,122,232
Goods in process	3,518,349	3,125,423
Finished goods	8,335,957	6,357,887
	<u>\$13,175,486</u>	<u>\$10,605,542</u>

Note 3—Fixed Assets

	1973		1972	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 540,355	\$ —	\$ 582,204	\$ —
Buildings	9,809,842	2,166,963	8,735,154	1,976,780
Machinery & Equipment	16,396,971	8,357,451	13,358,539	7,471,848
	<u>\$26,747,168</u>	<u>\$10,524,414</u>	<u>\$22,675,897</u>	<u>\$9,448,628</u>

Depreciation charged on the books is based on straight line rates of 2½% for buildings and 9% for machinery and equipment. For the year ended October 31, 1973, the amount charged against income was \$1,311,202 (\$1,253,161 in 1972).

Note 4—Long Term Debt

Secured by a floating charge in favour of the debenture holders.

Series A, 6½% 1984	\$2,700,000
The sinking fund requirements call for payments of \$200,000 per year, leaving a balance of \$900,000 due in 1984.	
Series B, 6¾% 1987	1,870,000
The sinking fund requirements call for payments of \$105,000 per year, leaving a balance of \$610,000 due in 1987.	
Series C, 8½% 1992	3,075,000
The sinking fund requirements call for payments of \$125,000 per year from 1974 through 1986 and \$155,000 per year from 1987 through 1991, leaving a balance of \$800,000 due in 1992.	
	<u>\$7,645,000</u>

Note 5—Capital Stock

During the year the shareholders approved a special resolution providing for the sub-division of common and Class A shares on a three for one basis effective February 13, 1973. Also the shareholders approved an Arrangement effective October 23, 1973 for the reclassification of share capital into five classes as shown below. Class B and Class D shareholders are entitled to dividends out of tax-paid undistributed surplus on hand and 1971 capital surplus on hand. These dividends will be an amount equivalent to the dividends paid on the Class A and Class C shares less any applicable taxes.

Changes In Authorized Share Capital In 1973

Share Capital As At October 31, 1972 Before Effect Of Sub-division	Share Capital As At February 13, 1973 After Effect Of Sub- division on 3-1 Basis	Share Capital As At October 23, 1973 After Effect Of Reclassification
Class A 2,000,000	Class A 6,000,000	Class A 5,999,000 Class B 1,000
Common 1,000,000	Common 3,000,000	Common 1,000 Class C 2,998,000 Class D 1,000
<u>3,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>

The valuation day price for the new Class A and Class B shares is \$4.83 and for the new Class C and Class D shares \$4.96.

Note 6—Employees' Stock Options

Options for 3,000 Class C and 20,500 Class A shares were exercised during the year ended October 31, 1973 for a cash consideration of \$107,039. Options for 3,000 Class C and 83,850 Class A shares were granted to 98 staff members during the year. Options outstanding October 31, 1973 were as follows:

	Class C		Class A	
Expiration Date of Options	No. of Shares	Option Price per share	No. of Shares	Option Price per share
December 3, 1973	—	—	2,850	\$2.9625
November 12, 1974	—	—	16,200	3.45
November 17, 1975	3,000	\$7.20	77,300	7.20
	<u>3,000</u>		<u>96,350</u>	

Subsequent to October 31, 1973 options for 2,400 Class C and 71,150 Class A shares were granted at \$6.75 and \$6.6375 per share. These options granted to 110 staff members expire November 9, 1976. Options outstanding at October 31, 1973, or options granted subsequent to October 31, 1973 do not vary significantly the diluted share earnings from reported share earnings.

Note 7—Directors' and Senior Officers' Remuneration

Remuneration to directors and senior officers totalled \$385,000 for 15 persons during the year ended October 31, 1973 (15 persons \$342,000 in 1972).

Note 8—Pensions

In 1948, the Company introduced its Employees' Pension Plan. This Plan was integrated with the Canada Pension Plan and the Quebec Pension Plan in 1966. The Plan is contributory and the liability for past service is fully funded.

The Deferred Profit Sharing Plan was introduced in 1960. It is a trustee plan which is paid for completely by the Company and has to date been mainly invested in the shares of Harding Carpets Limited.

Since 1948, net pension and profit sharing contributions have been as follows:

	Company Net Contributions	Employees Net Contributions
Past Service	\$ 319,461	—
Employees' Pension Plan	1,532,272	\$1,766,198
Canada Pension Plan and Quebec Pension Plan	684,733	684,733
Deferred Profit Sharing Plan*	527,402	—
	<u>\$3,063,868</u>	<u>\$2,450,931</u>

*(The market value of the Deferred Profit Sharing Plan fund at October 31, 1973 was \$1,418,596.)

The cost to the Company of the Pension Plans and the Deferred Profit Sharing Plan in 1973 was \$352,936 (1972—\$275,291).

Directors & Officers

Directors

FRANCOIS E. CLEYN

deceased November 26, 1973

ALBERT DAVIDSON, C.A.

President

Harding Carpets Limited

J. DOUGLAS GIBSON, O.B.E.

Chairman

Consumers' Gas Company Limited

ANTHONY F. GRIFFITHS

President and Chief Executive Officer

Jonlab Investments Limited

C. MALIM HARDING, O.B.E.

Chairman of the Board

Harding Carpets Limited

JOHN D. HARRISON, Q.C.

Partner

Harrison, Elwood

FRANK D. LACE, D.S.O., O.B.E.

Chairman

Matthews & Company Limited

J. DONALD MINGAY, D.S.O., O.B.E.

Management Consultant

WILLIAM H. YOUNG

President

The Hamilton Group Limited

Officers

C. MALIM HARDING

Chairman of the Board

ALBERT DAVIDSON

President

PHILIP L. GUIT

Vice-President,

Distribution

FREDERICK W. KLEIN

Vice-President,

Manufacturing

WILLIAM D. L. SHERREN

Vice-President,

Styling and Product Development

JOHN G. URQUHART

Vice-President,

Marketing

GERALD A. MURRAY

Director of

Administration

ALBERT F. KLINKHAMMER

Secretary-Treasurer



The distinctive design is an appealing feature of Monterrey. The textured loop pile is made from Acrilan Plus acrylic carpet fibre and is random sheared.

Offices

HEAD OFFICE

Morrell Street, Brantford, Ontario

EXECUTIVE & MARKETING OFFICES

60 Yonge Street, Toronto, Ontario

Manufacturing Facilities

Brantford—tufting, weaving, printing and dyeing.

Collingwood—yarn spinning and tufting.

Guelph—yarn spinning.

Harding Distribution Centres

Vancouver—4616 Canada Way, North Burnaby, B.C.

Calgary —3030-9th Street S.E., Calgary, Alberta

Winnipeg —1555 Inkster Boulevard, Winnipeg, Manitoba

Toronto —35 Worcester Road, Rexdale, Ontario

Montreal —1475 Montee de Liesse, St. Laurent, P.Q.

Moncton —1220 St. George Boulevard, Moncton, N. B.

STOCK EXCHANGE LISTINGS

Toronto, Montreal and Vancouver

TRANSFER AGENT & REGISTRAR

Montreal Trust Company,
Toronto, Montreal, Regina,
Calgary and Vancouver

BANKERS

The Royal Bank of Canada

The Toronto-Dominion Bank

SHAREHOLDERS' AUDITORS

Price Waterhouse & Co.



Semi-Annual Report
April 30, 1973

TO THE SHAREHOLDERS:

Sales of \$21,394,774 for the six months are up 12% over the same period last year. The second quarter sales of \$11,440,870 are up 13% over the second quarter of 1972.

Net income of \$1,501,426 for the first half is up 31% over last year after giving effect to the proposed lower rate of federal income tax on manufacturing and processing industries. Earnings per share for the six months of 30¢ compare with 23¢ in 1972.

Earnings for the first quarter of the current year have been restated to \$708,685, or 14¢ per share to reflect the lower income tax rate. They were previously reported as \$635,685, or 13¢ per share.

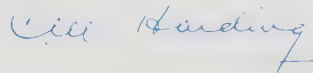
Price reductions in some lines resulted in lower mar-

gins in the second quarter. This was largely offset by the lower income tax.

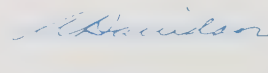
Every effort is being made to increase capacity in view of the continuing high demand. It is expected that capital expenditures committed for this year together with those planned for 1974 will total \$7,500,000.

With the strong demand for the Harding line and the addition of Seneca Carpet Mills line in the second half, we look forward to a record year in sales and earnings.

ON BEHALF OF THE BOARD



Chairman



President

June 8, 1973
Toronto, Ont.

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

	3 Months ended April 30		6 Months ended April 30		
	1973	1972	1973	1972	Increase over 1972
SALES	\$11,440,870	\$10,091,409	\$21,394,774	\$19,116,617	12%
COST OF SALES	8,366,917	7,229,462	18,118,204	13,980,943	
GROSS PROFIT from Operations	3,273,953	2,861,947	6,281,570	5,135,674	24%
DEDUCT (ADD) the following items:					
Selling, administrative and distribution expense	1,118,493	1,579,313	3,831,807	3,120,096	
Debenture interest	147,000	90,000	294,000	180,000	
Other interest	36,813	55,415	55,824	140,640	
Government grant - Collingwood	(14,094)	(18,780)	28,187	31,800	
	1,885,212	1,708,978	3,653,144	3,409,236	
PROFIT before income taxes	1,388,741	1,152,969	2,628,426	2,026,438	24%
Taxes on income	596,000	534,000	1,127,000	979,000	
NET INCOME for period	\$ 792,741	\$ 618,969	\$ 1,501,426	\$ 1,047,438	31%
Earnings per common and Class A shares	16¢	12¢	30¢	23¢	31%

Note: Earnings for the first quarter have been restated to reflect the proposed lower income tax rate.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(Unaudited)

	6 Months Ended April 30	
	1973	1972
SOURCE OF FUNDS		
From Operations		
Net income for period	\$1,501,426	\$1,147,438
Charges or (credits) not involving current funds		
Depreciation	724,352	553,221
Deferred Income Taxes	23,000	(33,600)
Government grant*	(28,187)	(31,500)
Total from operations	2,220,591	1,635,559
Issue of capital stock	86,429	454,087
Issue of Series C Debentures	—	3,200,000
	<u>2,307,020</u>	<u>5,289,646</u>
USE OF FUNDS		
Expenditures on fixed assets (net)	1,831,777	704,890
Dividends paid	454,233	394,506
Reduction in long term debt	305,000	915,920
	<u>2,591,010</u>	<u>2,015,316</u>
WORKING CAPITAL INCREASE (DECREASE)	<u>\$ (283,990)</u>	<u>\$3,274,330</u>

The portion of the designated area grant for the Collingwood Plant which has been included in income for the period.

ÉTAT CONSOLIDÉ DE PROVENANCE ET D'AFFECTATION DES FONDSD

(non vérifié)

Pour le semestre clos
le 30 avril

PROVENANCE DES FONDSD	1973	1972
Décaulant de l'expoitation:		
Revenu net pour la période	\$1,501,426	\$1,147,438
Frais ou (crédits) n'affectant pas le fonds de roulement		
Amortissement	724,352	553,221
Impôts sur le revenu reportés	23,000	(33,600)
Subvention du gouvernement*	(28,187)	(31,500)
Total en provenance de l'exploitation	2,220,591	1,635,559
Emission de capital-actions	86,429	454,087
Emission de débentures série "C"	—	3,200,000
AFFECTATION DES FONDSD	2,307,020	5,289,646
Dépenses en immobilisations (montant net)	1,831,777	704,890
Dividendes versés	454,233	394,506
Diminution de la dette à long terme	305,000	915,920
AUGMENTATION (DIMINUTION) DU FONDSD DE ROULEMENT	2,591,010	2,015,316
	\$ (283,990)	\$3,274,330

*Partie de la subvention pour zones désignées applicable à l'usine de Collingwood et incluse dans le revenu pour la période.

ÉTAT CONSOLIDÉ DU REVENU

(non vérifié)

Pour le trimestre clos
le 30 avril

Pour le semestre clos
le 30 avril

	1973	1972	1973	1972	Augmentation par rapport à 1972
VENTES	\$11,440,870	\$10,091,409	\$21,394,774	\$19,116,617	12%
COÛT DES VENTES	8,166,917	7,229,462	15,113,204	13,580,943	
PROFIT BRUT D'EXPLOITATION	3,273,953	2,861,947	6,281,570	5,535,674	14%
À DÉDUIRE (À AJOUTER):					
Frais de vente, de gestion et de distribution	1,715,493	1,579,313	3,331,507	3,120,096	
Intérêt sur débentures	147,000	90,000	294,000	180,000	
Intérêts divers	36,813	55,415	55,824	140,640	
Subvention gouvernementale — Collingwood	(14,094)	(15,750)	(28,187)	(31,500)	
PROFIT avant impôts sur le revenu	1,885,212	1,708,978	3,653,144	3,409,236	
Impôts sur le revenu	1,388,741	1,152,969	2,628,426	2,126,438	24%
REVENU NET pour la période	596,000	534,000	1,127,000	979,000	
Bénéfice par action ordinaire et par action de la catégorie "A"	\$ 792,741	\$ 618,969	\$ 1,501,426	\$ 1,147,438	31%
	16¢	12¢	30¢	23¢	31%

Note: Les bénéfices du premier trimestre ont été redressés pour refléter la réduction proposée du taux d'imposition sur le revenu.

AUX ACTIONNAIRES:

Les ventes du semestre, qui se montent à \$21,394,774, sont de 12% supérieures à celles de la période correspondante de l'année dernière. Celles du deuxième trimestre, de \$11,440,870, sont supérieures de 13% à celles du deuxième trimestre de 1972.

Le revenu net du semestre, établi en tenant compte de la réduction proposée du taux d'imposition sur le revenu des entreprises de fabrication et de transformation, a atteint \$1,501,426, soit 31% de plus que l'an dernier. Les bénéfices par action du semestre s'établissent à 30¢, contre 23¢ en 1972.

Pour le premier trimestre de l'exercice en cours, les bénéfices ont été redressés à \$708,685, soit 14¢ par action, pour tenir compte de la réduction du taux d'imposition sur le revenu; les sommes antérieurement annoncées étaient \$635,685 et 13¢ par action.

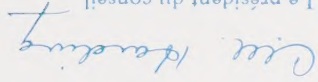
La baisse des prix de certains genres de produits a

entraîné, au cours du deuxième trimestre, une diminution des marges qui a cependant été, en grande partie, compensée par la réduction des impôts.

La forte demande se maintenant, la compagnie poursuit ses efforts pour accroître sa capacité de production. Le total des dépenses en immobilisations de 1973 et de celles prévues pour 1974 devrait atteindre \$7,500,000.

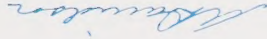
La popularité des produits Harding et l'addition des produits Seneca Carpet Mills nous permettent de prévoir, cette année, des ventes et des bénéfices plus élevés que jamais.

Au nom du conseil d'administration

 C. E. Harding

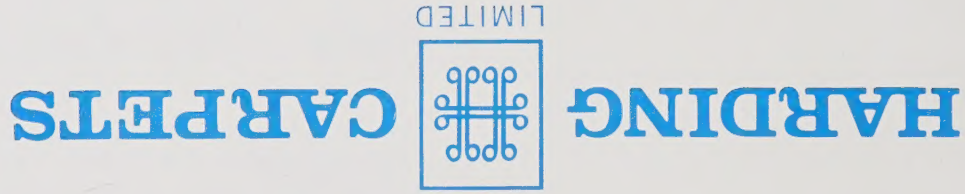
Le président du conseil

Le président



Le 8 juin 1973

Toronto, Ont.



Rapport semestriel
30 avril 1973